
Board Action Bulletin



Prepared by the Office of External Affairs

NCUA BOARD MEETING RESULTS FOR MAY 19, 2005

Fidelity bond coverage changes proposed

The NCUA Board issued a proposal to amend Part 713, Fidelity Bond and Insurance Coverage for Federal Credit Unions, to increase the maximum allowable deductible for certain credit unions and to increase the required coverage amounts for both larger and smaller credit unions. The proposal is issued with a 60-day comment period.

The Board believes inflation and the substantial growth in credit union assets warrant these adjustments. Currently, the maximum deductible is \$2,000 plus 1/1000 of total assets up to a maximum \$200,000. The proposal recommends keeping the formula while raising the maximum deductible to \$1 million for large, well-run credit unions that qualify under RegFlex. The proposed maximum \$1 million deductible is reached when a qualifying credit union has assets over \$998 million.

Since 1977, \$5 million has been the maximum coverage required for a credit union with more than \$295 million in assets. To address risk, the proposal would increase bond coverage at both ends of the asset range. For smaller credit unions, the Board proposes to increase minimum coverage to the lesser of \$250,000 or total assets, and for credit unions with assets above \$500 million, the minimum bond coverage must equal one percent of assets, rounded to the nearest \$100 million, to a maximum \$9 million in coverage.

Approved bond forms

Approved bond forms and providers are listed on the NCUA website, which assures an accurate list is readily available. The proposal would eliminate duplicating this same information in the rule. The proposal also seeks comment on whether to rescind approval of Blanket Bond Standard Form 23, unchanged since 1952 and believed to be obsolete. Finally, the proposal makes a technical change in Part 741 and seeks comment on additional factors for credit unions to consider when determining whether to secure bond coverage in excess of required minimums.

IRPS proposed on sale of nondeposit investments

NCUA's Board issued a proposed Interpretive Ruling and Policy Statement (IRPS) to provide requirements and guidance for federally insured credit unions offering members nondeposit investments through third party brokerage accounts. The comment period is 60 days.

Replacing *Letter to Credit Unions No. 150* issued in 1993, the proposed IRPS reflects law and regulation changes affecting the sale of nondeposit investments, adds weight to the requirements and offers credit unions the opportunity to offer input.

The IRPS addresses SEC requirements and related guidance as well as NCUA requirements and guidance. Among others things, it discusses the credit union/brokerage firm relationship and the responsibilities of each, the separation of investment sales from receipt of deposits or shares, contact with members concerning security sales, compensation and referral fees, the use of dual employees, sales to nonmembers and related issues.

Votes are unanimous unless indicated.